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The "Work Made for Hire and Copyright Corrections Act of 2000"

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Summary

In the first session of the 106th Congress, the definition of a "work for hire" under the U.S. Copyright Act was amended to include sound recordings among the categories eligible to be specially commissioned works. The amendment was initially described as a technical correction, but proved to be controversial as its impact was arguably substantive. Congress repealed the inclusion of sound recordings in the definition in the Work Made for Hire and Copyright Corrections Act of 2000.

This report examines the background and significance of both the inclusion and exclusion of sound recordings as specially commissioned works for hire under the Copyright Act. While the inclusion of sound recordings in the definition was intended to signify that they *were* a permissible category, paradoxically, the subsequent exclusion of the term does not signify that they are *not* included. By returning to the pre-1999 status quo, the law remains unsettled.

Background. A "work for hire" under the Copyright Act makes an exception to the general rule that the person who creates a work is the author of that work for copyright purposes. If a work is made for hire, the employer or entity that commissioned the work – not the employee or creator – is considered the author.[1]

Section 101 of the Act defines the term in subsection (1) as embodying the product arising from a employer-employee relationship. If a work is created outside of the employer-employee relationship, it may still qualify as a "work for hire" under subsection (2) which deals with specially ordered or commissioned works.[2] Two requirements of

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[1] U.S. Copyright Office, Circular 9, *Works Made for Hire Under the 1976 Copyright Act* at [www.loc.gov/copyright].

[2] 17 U.S.C. § 101 provides that a "work made for hire" is:

(1) a work prepared by an employee within the scope of his or her employment; or
(2) a work specially ordered or commissioned for use as a contribution to a collective work,

(continued...)

works for hire under subsection (2) are that: (1) the work must come within one of the ten categories of work listed in the definition, and (2) the parties must have an express written agreement designating the work as one for hire. When a work qualifies, the employer is the "author" and the legal owner of the copyright interest.

The Copyright Act grants authors the right to transfer all of their exclusive rights, and in certain specific instances, a right to *terminate* the transfer. The termination right is intended to safeguard authors against unremunerative transfers arising from an historic unequal bargaining power. It permits the author to determine the value of the work after it has been fully exploited and to renegotiate a transfer of exclusive rights to enable the author to share in the greatly appreciated value of an important work. Works made for hire, however, are *not* subject to the termination right. Parties may, by express agreement, vary the rights which would otherwise be owned by the employer in a work for hire under § 101(1).[3] In settings other than an employer-employee relationship governed by § 101(1), however, if the relationship between the parties is *not* one that will otherwise qualify as a specially commissioned work for hire under § 101(2), the agreement that the work shall be regarded as such will *not* be effective to avoid the creative author's termination right.[4]

Termination of grants of copyright executed on or after January 1, 1978 could begin in 2013. Termination of transfers of copyrights in sound recordings executed before January 1, 1978, could be effective in 2028.[5]

Sound recordings as works for hire. In 1999, in the Satellite Home Viewer Improvement Act,[6] Congress amended the definition of a "work made for hire" to include sound recordings. The amendment was made pursuant to the "Technical Amendments"

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[2] (...continued)
as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire. For the purpose of the foregoing sentence, a "supplementary work" is a work prepared for publication as a secondary adjunct to a work by another author for the purpose of introducing, concluding, illustrating, explaining, revising, commenting upon, or assisting in the use of the other work, such as forewords, afterwords, pictorial illustrations, maps, charts, tables, editorial notes, musical arrangements, answer material for tests, bibliographies, appendixes, and indexes, and an "instructional text" is a literary, pictorial, or graphic work prepared for publication and with the purpose of use in systematic instructional activities.

[3] 1 Melville B. Nimmer & David Nimmer, NIMMER ON COPYRIGHT §§ 1.06[C] & 5.03[D](1999).

[4] 3 NIMMER ON COPYRIGHT §11.02[A][2] (1999).

[5] 17 U.S.C. § § 203, 304. Sec. 203 allows specified transfers executed on or after January 1, 1978 to be terminated after 35 years. Therefore, termination of grants made in 1978 could begin in 2013. Sec. 304 applies to transfers executed before January 1, 1978. Because sound recordings were first eligible for copyright protection in 1972, terminations under § 304 could begin in 2028.

[6] P.L. 106-113 (November 29, 1999), the Intellectual Property and Communications Omnibus Reform Act of 1999, Title I, § 1101(d).

Title of the Act. After enactment, however, the provision was criticized for being a "substantive" amendment effected without adequate public input and review.[7]

Prior to the amendment in 1999, sound recordings were *not* expressly included in the categories of work "specially ordered or commissioned" in subparagraph (2). Whether the change was "technical" or "substantive" proved to be controversial. The House Judiciary Subcommittee on Courts & Intellectual Property held a hearing on May 25, 2000, on the effect of the amendment. Witnesses were not generally in agreement.

Distilled to its essence, the issue is as follows: The recording industry and its performing artists routinely treat sound recordings as works for hire. There are currently many sound recordings filed with the U.S. Copyright Office as specially commissioned works for hire. The U.S. Copyright Office, however, merely accepts the registration and does not inquire whether a sound recording meets all of the requirements of a work for hire.[8] Some argue that because a sound recording was not specifically listed in subparagraph (2) prior to the 1999 amendment, it *could not* be a specially commissioned work for hire pursuant thereto.[9] Others contend that sound recordings already qualified under subparagraph (2) as "contributions to collective works." Therefore, the addition of "sound recordings" as a discrete category did not materially change their status within the rubric of "work for hire."[10]

The question is ultimately an important one, because if they *are* works for hire under the Copyright Act, neither individual nor joint "authors" may exercise the termination rights that they might enjoy in the absence of work for hire status. And, because termination rights for authors of sound recordings will not mature until 2028, courts have not yet begun to consider the issue.[11] Yet, even though an author's termination rights in a sound recording are not likely to ripen before 2028, the question may reach the courts in other contexts before then. It is reported that MP3.com is challenging recording

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[7] *House Panel Considers Undoing 1999 Copyright Amendment*, BNA Patent, Trademark & Copyright J. 87 (June 2, 2000)

[8] *See* Testimony of Marybeth Peters, Register of Copyrights before the House Subcommittee on Courts and Intellectual Property at [http://www.house.gov/judiciary/petework.htm], May 25, 2000.

[9] *See* Lulirama Ltd. v. Axcess Broadcast Services, 128 F.3d 872 (5th Cir. 1997)(musical jingles do not qualify as works specially commissioned for use as part of "a motion picture or other audiovisual work"); Staggers v. Real Authentic Sound, 77 F. Supp.2d 57 (D.C. 1999)(a sound recording does not fit within any of the nine pre-1999 categories of "specially ordered or commissioned works"). *See also* 1 NIMMER ON COPYRIGHT § 2.10[A][3](absent an employment relationship or express assignment of copyright from the performer to the record producer, ownership of a sound recording will either be exclusively in the performing artists, or ... a joint ownership between the record producer and the recording artist.)

[10] *See* Testimony of Paul Goldstein, Lillick Professor of Law, Stanford University, before the House Subcommittee on Courts and Intellectual Property at [http://www.house.gov/judiciary/gold0525.htm], May 25, 2000.

[11] Testimony of Marybeth Peters, *supra* note 8.

companies' work for hire ownership of sound recordings in connection with damages awarded by a court against it in ongoing copyright infringement litigation.[12]

Nevertheless, the broad question – whether, prior to the 1999 amendment, a sound recording qualified as specially commissioned work for hire for purposes of an author's termination right – is not settled.

Acknowledging the controversy generated by the amendment, Congress deleted "sound recordings" from the list of categories in §101(2) a year after they were added in the "Work Made for Hire and Copyright Corrections Act of 2000.[13] Interestingly, the "corrective" legislation is definitive in *declining* to resolve the outstanding question whether sound recordings qualify as works for hire under other classifications of § 101(2). The law adds new language to the definition specifying:

> In determining whether any work is eligible to be considered a work made for hire under paragraph (2), neither the amendment contained in section 1011(d) of the Intellectual Property and Communications Omnibus Reform Act of 1999, as enacted by section 1000(a)(9) of Public Law 106-113, nor the deletion of the words added by that amendment–
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> (A) shall be considered or otherwise given any legal significance, or
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> (B) shall be interpreted to indicate congressional approval or disapproval of, or acquiescence in, any judicial determination,
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> by the courts or the Copyright Office. Paragraph (2) shall be interpreted as if both section 2(a)(1) of the Work Made For Hire and Copyright Corrections Act of 2000 and section 1011(d) of the Intellectual Property and Communications Omnibus Reform Act of 1999, as enacted by section 1000(a)(9) of Public Law 106-113, were never enacted, and without regard to any inaction or awareness by the Congress at any time of any judicial determinations.[14]

Thus, at such time when a court is confronted with the question whether a sound recording can be a work for hire, it is directed to specifically *disregard* the 1999 and 2000 amendments as a component of the provision's legislative history evincing congressional intent.

Committee report language accompanying H.R. 5107, the bill enacted, explains that the purpose of the amendment "is to restore the status quo as it existed before November 29, 1999, as to the issue of whether a sound recording can qualify as a 'work for hire' under the second part of the definition of that term in section 101 of the Copyright Act, and to do so in a manner that does not prejudice any person or entity that might have interests concerning this question."[15] The amendment made by the Act is expressly retroactive to November 29, 1999.

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[12] *New Work-for-Hire Legislation Will Get Early Test in MP3 Case*, 61 BNA Patent, Trademark & Copyright J., Number 1497 (Nov. 3, 2000).

[13] P.L. 106-379 (October 27, 2000).

[14] Id., § 2.

[15] H.Rept. 106-861, 106th Cong., 2d Sess. 1 (2000).